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Introduction / Picture Slide

Good Afternoon Ladies and Gentlemen,

Thank you to Merrill Lynch for arranging this conference, and for focusing our minds on what must constantly be the centre piece of any Chief Executive's thinking – growth, risk and return.

SLIDE 2 - Old Mutual is part way through a journey…

Old Mutual's current journey began when the company demutualized and listed in 1999 – but that was in the last century - and I would like to focus on the last five years this afternoon. It's been an exciting part of the journey with some risks and some difficulties. But I think that we can say that we have provided shareholders with worthwhile growth and return, but of course that's for you to say.

We had funds under management at the end of 2001 of £143bn, and today we stand at £218bn, despite the sale of a dozen or more US affiliates, with over 65% of the owners of these assets being in the USA. In 2001, our annual report showed UK and Other Countries with sales of 4% of the total – actually almost all sales were from other African countries. In the first half of this year, 60% of our life sales came from Europe and another 16% from the USA. Actually our life sales in the whole of 2001 were £431m, compared to £732m for the first half of 2006 alone.

In 2001, we were a constituent of the MSCI Emerging Market index – today we are part of the MSCI Europe index. We were number 76 in the FTSE, whereas today we are in the mid thirties.

And our RoE which stood at 10% in 2001 reached over 14% in the first half of this year.

So I think you can see that Old Mutual has moved forward hugely over the period – and that process of change is continuing.

SLIDE 3 - …to building a premier international financial services group…

This is a journey with a long way to go. Our aims are high – we want to build a premier international asset management and insurance group – and we know we aren't there yet.

For us, premier means three things, in the spirit of the theme of this conference.

It means more growth than others – we measure that mainly in terms of Net client cash flow. Of course, life sales are a good measure in that part of our business, but we are just as happy to look after money with unit trust, segregated account or any other wrapper, and just as unhappy when good sales are offset by heavy outflows. And above all, our customers come to us for a good investment performance. Growth will only come if we provide that, so investment performance is a key leading indicator in the Old Mutual management framework.

Premier also means controlling risk. This means building our company with risk discipline at its heart. We are aiming at building a company with an even geographic spread of business – each unit with its own risk/reward balance, but the whole benefiting from the spread. We also are seeking to balance our exposures to equity and fixed interest markets. And the different cadences of the asset management business, with its potential for dramatic growth, but sometimes shrinkage, and the more steady asset gathering profit streams provide a further structural reduction in risk for our shareholders.

And of course, it means good returns for you, the owners of the company and providers of its capital. Sometimes, our industry convinces itself that growth is only available at the expense of cash and IFRS profits. Of course investment is required for growth, but we explain to our managers that the purpose of growth is more profit – bigger cheques to the holding company, not the reverse. We believe that seeing these as alternatives doesn’t work. Both must work.

As a result, we have a hierarchy of measures, with cash returns at the top, IFRS, RoE and profits next and other management indicators like EV and RoEV, important as they are, in the next layer. There has to be a link – if EV earnings never turn into cash, we can’t pay the rent. It’s not to say that we spurn growth opportunities – we just have clear cash return targets in our mind, and we have built our business to balance cash absorbing elements with cash producing ones.

SLIDE 4 - ...by targeting trends driving our industry

We are building this premier company by targeting some big trends driving our industry today. We have had the luxury of a fresh sheet of paper in the Northern hemisphere, and have been able to avoid some of the baggage others are forced to carry.

Demography is well trawled as a subject, but it remains the largest source of growth in Europe and the USA, with baby boomers facing prolonged retirement, and wanting flexibility to arrange their lifestyles suitably. In South Africa and the East the emerging middle classes – already rivalling the US in size – are saving hard for better homes and the education for their children. Both of these are fertile ground for all of us in our industry.

Around the world, today's customers don't trust banks and insurance companies the way their parents did. We can bemoan this, but it is an inexorable trend. So we seek to take advantage of the changes this brings – the development of flexible open architecture platforms; flatter front-end charges; explicit guarantees only where required and with specific charges; and a general shift away from with profit and participating contracts towards simpler, more transparent products.

When I entered the industry, balanced fund mandates were the order of the day for asset managers. This dodo, although still alive is fast dying out – with low cost index funds supplemented by specialist and non-correlated mandates being sought by pension plans and sophisticated investors around the world. And those plans increasingly like to pay by result – and we're happy to take up that challenge.

And the last big trend is what our business unit managers call the move to "be the best or buy the best". Just as T-Shirt manufacture has moved to the cheapest world producers in the East, we see that we have to face up to the reality that if we cannot deliver each part of the value chain at a service standard and price better than a competitor offers and in line with what today's clients demand, then we must outsource. Sometimes internally, but externally if that is where the best answer lies.

There are of course many other drivers and trends in specific countries, but these seem to us to be the over arching drivers, and we are building our business in anticipation of their implications and opportunities.

SLIDE 5 - Positioning for growth driven by demography

The next few slides show in each geography how we are positioning our businesses to take advantage of the trends I have mentioned. I am not going to go through each item, but I would like to touch on a few key points.

I think the baby boomer world is well understood, and is not specific to Old Mutual, but, as I’ve said, it does make for a growth driver in our industry. Our strong asset management business in the United States, the largest savings market in the world, has and will continue to provide fast growth.

The opportunity to combine the skill base in our US Money Management business with those resident in our US insurance operations to provide capital protected asset strategies, makes us well placed to provide product to meet the needs of baby boomers as they start to slow down, and not wish to take as much risk.

European Governments continually press their citizens to save for themselves and not rely on the state to provide for them in their old age.

In South Africa, the new middle class is emerging quickly, and our leading brands, new multi boutique model and broad distribution, as well as our well-regarded BEE deal put us in a good position. We will participate in this growth and the general economic growth of South Africa, with a coherent strategy cross selling products across the spectrum.

In Asia, Old Mutual is a late entrant, but hopefully that allows us to learn lessons from the pioneers. Almost anyone can grow a business in India and China, but the challenge is to make it profitable. We are well on track for that happy point in India, and I believe that our more equity oriented business in China, while not the preferred course of most of our competitors, will benefit as the Chinese equity market develops.

SLIDE 6 - Customers wants increased transparency, freedom of choice and flexibility…

Demands for more transparency and flexibility come from many quarters – the customers themselves, the regulators, and the media. Old Mutual has the advantage of flexibility: we are still in our formative phase, without some of the legacy burdens, and we are able to structure our services and products with the new customer demands very much in mind.

You only need to look at the graphs on the left of the screen to see that platform businesses in the UK are taking share dramatically from the traditional with profit providers. And in the US, the change in shape of the 401K market from an industry dominated by insurance carriers to one dominated by mutual fund providers brings the same message.

SLIDE 7 - ...benefiting Old Mutual as an open architecture leader

Old Mutual is very well placed in this regard. In the USA, our multi boutique format allows us to participate as a sub adviser for mutual funds, indeed to create our own multi manager funds and to use our skills in VA programs. Our flexible Life company's outsourced business model is able to respond to the demand for different products very quickly and we believe will stand us in good stead with our VA offering and future product development.

Skandia is well known in the UK as the early adopter of the open architecture format, is the largest and most successful player in this fast growing area. We continue to benefit from the longstanding service record of the company, with A-Day driven growth still a factor in the market for a while yet.

Selestia, which has now been merged into Skandia UK, has a more modern platform built at low cost in South Africa. Combining Skandia's after-sales service capability with Selestia's internet friendly front end give further competitive edge. We will now seek to broaden the platform to take a wider array of investments as we make the changes to deliver the £28m synergies promised from this business.

In South Africa, we have open architecture capability, although it has not been as widely accepted, although our multi manager products have done well this year in both OMSA and Nedbank and our IT systems are well developed. The demand for flexibility in SA has focused recently on front end charges and commissions, and I believe our brand and financial strength will help us attract brokers, and see us through the market turbulence. The trend towards Unit trusts is very strong. We had over thirty percent of the gross savings into the unit trust world in the first half of this year – this was less than a tenth when I joined Old Mutual in 2000. We are certainly not resisting this, far from it – the RoE is higher if anything, but it will cause a flat profit trend, as high capital, high charge insurance products are replaced by lower charge, low capital unit trust saving.

All in all and particularly in Europe and the US, this demand for clear, more flexible product gives us opportunity to grow.

SLIDE 8 - Multi boutique model a winner in the shift to core & satellite money management

The shift to a “Core and Satellite” approach to money management is evident everywhere.

In the USA, our decision to retain the boutique model has proved itself, and the investment results – 88% exceeding the 3 year benchmarks – are well appreciated by clients and consultants alike. Our affiliates are exactly the type of manager being sought for the satellite service, and we will continue in this format, building further affiliates, continually improving our range.

In Europe, our innovative businesses at Old Mutual Asset Managers and in SIML are very much specialists in this mould as well. Here too we will seek to add both teams and product. Our market neutral funds have excellent track records, and our Global Best Ideas Fund and our REIT Fund, the first of its kind, have been very well received. And there is more to come.

In South Africa, we see a similar trend, and as a result we announced recently that we will split up our traditional manager into boutiques. This is very much work in progress, and will take some time to have the right effect, but as elsewhere, I'm sure that it will improve performance and attract and retain clients as a result.

SLIDE 9 - Outsourcing "be the best or buy the best"

Every industry in the world faces productivity pressure. Sometimes product opaqueness has led to that pressure being muted in our industry. But as I've said, the pressure for flexibility and transparency is now with us, and taking effect. So the demand for productivity is ever greater. So we are all thinking about the parts of the value chain where we are really good. In the USA, we long ago decided that economies of scale in administration are crucial to compete with larger players, and in any event, provide product flexibility and speed of product change. So we now have good relations with a number of suppliers which keeps our business nimble. We only have 280 employees in our US life business, but we have over $20bn in assets.

I've already mentioned that our Selestia platform is newer and cheaper than its Skandia equivalent, and is delivered by outsourcing to South Africa. Skandia UK, will in fact use other outsourcers in all likelihood to keep costs down. And around Europe and in Sweden we are implementing a shared service backbone.

Our SA business has the scale to compete well – indeed it may in due course be able to offer its services externally - and it has already separated its service departments into profit centres to provide focus.

"Be the best or buy the best" is the watchword we try to adhere to, and I believe it helps us both to ensure that our own internal standards are high, and allows our newer businesses to compete effectively with more established industry participants.

SLIDE 10 - What we've delivered for shareholders since 12/01

So those are the trends, that we see, and some of the ways we are responding. We have recently produced our H1 06 results, which I don't propose to go through, but I do want to emphasise that we are dedicated to providing shareholders with excellent returns. This slide shows, on a five year basis some of our key statistics. Of course, there is some helpful currency effect over this period, but I do think that over this length of time, and given the perceptions of risk that many investors have had about South Africa, that this is a record to be taken seriously.

We are often asked how we manage currency risk. We do not hedge beyond 1 years profits, but our strategy – increasing the spread of our Group - helps to mitigate out that risk. The acquisition of Skandia was in part about this. And we are constantly examining returns to check that they are commensurate with risk. Certainly, 20% + ROE in SA provides returns that more than compensates for any perceptions of risk.

The algorithm at the bottom – assets times margin minus expenses equals profit, together with capital discipline underpins everything that all our managers do. If you attract more assets – net client cash flow, keep the margins up, and expenses tight, earnings will grow. We actuaries and my accounting colleagues sometimes confuse matters by recognizing income and expense in an arcane fashion, but there really isn't more to it than that, and it applies absolutely everywhere.

SLIDE - 11 Our priorities

Looking forward, our priorities are to build on our presence in Europe – to ensure we get the best out of the Skandia businesses, and deliver the targets we set out on June 20, and to be alert for opportunities that arise in this baby boomer driven market place.

We are working hard to make sure we deliver the best possible result from our three SA businesses. There remain synergies to grasp across our businesses and there is tremendous opportunity to participate in the emerging economic growth.

In the US, which is 50% of the world's financial service industry, but only 20% of ours, there remain many niches that are susceptible to our skills – we have announced the acquisition of a new Growth manager, Ashfield last week - and we are putting our backs into the mutual fund development and the variable annuity launch planned for the first part of next year.

And we will continue to build a sizable business in the East, organically.

SLIDE 12 - Old Mutual – a powerful set of engines

In summary, Old Mutual today, has three sets of businesses.

On the left hand side, the high brand, high market share businesses in South Africa and Sweden pumping out strong cash profits. And it is not as though they don't grow – both had positive net client cash flow in the first half of the year. These provide a very solid core to the business.

In the middle we have a set of businesses that have delivered high growth trajectories in the last few years, and the industry trends, and our positioning relative to those trends that I have spoken about, places them well to continue that growth path. In the US, the life business has grown assets at about $3bn per year for the last three years, and is well set on that path again this year. The US asset management business has had net cash flow In excess of $10bn for the last two years and will do so again this year.

The Skandia branded businesses in the UK had growth at a rate in excess of 20% in the first half. Around Europe, the under penetrated open architecture and broker markets are set for more growth in the future. Demography, flexible product, specialist money management tailored to client need, and tight expenses aided by outsourcing are all playing their part to make sure these businesses continue to grow.

And on the right, the acorns. Small today, but providing an 8% uplift to life assurance sales in the first half. They will provide more life sales than any other unit within our current three year planning period. Profits will be later, but our system will ensure they follow.

So Ladies and Gentlemen, as I have said, Old Mutual is part way through its journey – we know we aren't there yet, but there are some big trends creating exciting opportunities for us around the world. We know what we need to do to build a premier international company offering high quality asset management services, and we are quite prepared for the hard work required to get there.

The theme of the conference is ideally worded to describe our future – we can, and will, deliver a fast growing company, with well managed risks, in order to provide excellent returns for our investors.

Thank you.

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